

## Message Text

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67

ACTION XMB-07

INFO OCT-01 ARA-16 ISO-00 L-03 AID-20 CIAE-00 COME-00

EB-11 FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 IGA-02 DRC-01 /101 W

----- 081875

R 221955Z JUL 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 4605

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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PASS COMMERCE AND EXIMBANK

E.O.11652: N/A

TAGS: EFIN, ENRG, BR

SUBJECT: EXIMBANK CONVERSATIONS WITH BRAZILIAN OFFICIALS

REF: A. STATE 153022, 7/16/74 B. RIO A-71, 5/29/74 (C) STATE 141835,  
7/1/74

1. DURING TWO-DAY VISIT TO RIO DE JANEIRO, JULY 15-16, 1974, EXIMBANK OFFICIALS CALLED ON BRAZILIAN OFFICIALS CONCERNED WITH IMPORTANT PROJECTS IN THE ELECTRIC POWER, STEEL, AND PETROCHEMICAL SECTORS REQUIRING HEAVY IMPORTS OF CAPITAL GOODS. ON THESE CALLS, EXIMBANK OFFICIALS EXPLAINED THE CHANGED PRACTICES OF THE BANK AS SET FORTH IN STATE 153022, CONVEYING THE MESSAGE OF A GENERAL TIGHTENING UP OF EXIMBANK FINANCING THAT WOULD MOST CERTAINLY INCLUDE FINANCING OF US EXPORTS TO BRAZIL.

2. A CASE AT POINT IS CONVERSATION OF EXIMBANK OFFICIALS WITH BRAZILIAN OFFICIALS CHARGED WITH CARRYING OUT THE HUGE ITAIPU HYDROELECTRIC PROJECT, WHICH WILL REQUIRE IMPORTATION OF SEVERAL HUNDRED MILLIONS OF DOLLARS OF EQUIPMENT AND  
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ENGINEERING SERVICES. EXIMBANK OFFICIALS APPEARED RELUCTANT

TO RESPOND TO A REQUEST BY ITAIPU AUTHORITIES FOR AN IMMEDIATE FINANCING COMMITMENT OF \$20 MILLION, TO BE ABOUT EVENLY DIVIDED BETWEEN EARTHMOVING EQUIPMENT FOR THE DIVERSION CHANNEL AND ENGINEERING SERVICES BEING NEGOTIATED WITH LOCAL SUBSIDIARY OF AN AMERICAN FIRM. CITING BRAZIL'S PAST FAILURE TO FULLY UTILIZE A LINE OF CREDIT FOR STEEL EXPANSION, EXIMBANK OFFICIALS WERE ALSO NOT INCLINED TO TALK SERIOUSLY AT THIS TIME ABOUT A POSSIBLE OPEN LINE OF CREDIT FOR ITAIPU PROJECT, STATING THAT EXIMBANK WOULD HAVE TO AWAIT AN ECONOMIC JUSTIFICATION OF THE ENTIRE ITAIPU PROJECT BEFORE ANY LOAN APPLICATIONS COULD BE CONSIDERED.

3. COMMENT: NOTWITHSTANDING THE EXPLANATIONS GIVEN AS TO THE NEED FOR CHANGES IN THE BANK'S FINANCING POLICIES AND PRACTICES, THOSE CONCERNED WITH FINDING FINANCING FOR LARGE BRAZILIAN PROJECTS WERE DISAPPOINTED AND, PERHAPS, CONFUSED AS TO THE ATTITUDE OF THE USG IN SUPPLYING CREDITS FOR PURCHASE OF US EQUIPMENT. FOR EXAMPLE, JOHN COTRIM, ITAIPU'S TECHNICAL DIRECTOR, MENTIONED THAT THE US AMBASSADOR HAD RECENTLY CALLED ON THE ITAIPU DIRECTORS AND TOLD THEM THAT THE US WAS VERY INTERESTED IN THE ITAIPU PROJECT AND WILLING TO HELP IN ITS CONSTRUCTION. (SEE REF A B)

4. FOR US EXPORTERS, WHO SHIPPED \$1.2 BILLION TO BRAZIL IN THE FIRST FIVE MONTHS OF 1974, THE NEW EXIMBANK STANCE COMES AT A CRITICAL JUNCTURE. IN THE FIRST FIVE MONTHS OF 1974 THE US ACCUMULATED A TRADE SURPLUS OF \$525 MILLION WITH BRAZIL, WHILE BRAZIL'S OVER-ALL TRADE DEFICIT IN THE SAME PERIOD REACHED \$2.1 BILLION. ALREADY UNHAPPY WITH THE PROSPECT OF A COUNTERVAILING DUTY BEING IMPOSED ON ITS IMPORTANT SHOE EXPORTS TO THE US, BRAZIL IS EVIDENTLY LOOKING ABOUT FOR OPPORTUNITIES TO DIVERT IMPORTS FROM THE US TO TRADING PARTNERS WITH WHOM THERE EXISTS A MORE BALANCED OR FAVORABLE TRADING POSITION. WHILE THE EXIMBANK POSITION ON FINANCING MIGHT WELL BE OFFSET BY SIMILAR ACTION OF OUR COMPETITORS, CONSIDERATIONS MENTIONED ABOVE, PARTICULARLY BRAZIL'S LARGE TRADE DEFICIT WITH THE US, WILL CONTINUE TO PUT US SUPPLIERS AT A DISADVANTAGE. IN RESPECT TO ITAIPU AND OTHER LONG-TERM PROJECTS, FAILURE TO TAKE FULL AND PROMPT LIMITED OFFICIAL USE

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ADVANTAGE OF EVERY OPPORTUNITY TO PARTICIPATE IN EARLY STAGES, PARTICULARLY ON DESIGN AND ENGINEERING, WILL PREJUDICE THE COMPETITIVE POSITION OF US SUPPLIERS IN THE LONG RUN. END SUMMARY.  
CRIMMINS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, EXPORTS, BANKERS, DIPLOMATIC DISCUSSIONS, BANK LOANS, PROGRAMS (PROJECTS)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 22 JUL 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** boyleja  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
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**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740198-0132  
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**Office:** ACTION XMB  
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**Original Handling Restrictions:** n/a  
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**Subject:** EXIMBANK CONVERSATIONS WITH BRAZILIAN OFFICIALS  
**TAGS:** EFIN, ENRG, BR, US, XMB  
**To:** STATE  
**Type:** TE  
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